

## Telangana State Road Transport Corporation

December 13, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term bank facilities	3,484.23 (Enhanced from 2,823.00)	CARE BB+; Stable	Upgraded from CARE BB; Stable

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

Revision in the rating assigned to Telangana State Road Transport Corporation (TGSRTC) is attributed to overall improvement in operational performance, leading to growth in total operating income (TOI) and the reporting of net profits in FY24 and H1FY25 after reporting net losses for over five years. This improvement is driven by increased occupancy ratio, supported by the introduction of the Maha Lakshmi scheme by Government of Telangana State (GoTS) in December 2023, that led to enhanced scale of operations leading to better absorption of fixed costs. The rating also positively factors reimbursement of chargeable fares raised against Maha Lakshmi scheme by GoTS despite a slight delay. However, the rating continues to remain constrained by volatility in cost of resources and limited control over pricing structure, leveraged capital structure with stressed debt coverage indicators and competition from intrastate and interstate passenger bus transportation and logistics services. The rating is underpinned by continuous statutory and financial support from GoTS, geographical presence and socio-economic importance of the corporation.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Continuous improvement in operational efficiency leading to sustained positive net profits.
- Improvement in overall liquidity enabling the corporation to timely service its debt obligations without significant reliance on GoTS.

#### Negative factors

- Decline in revenue by over 10% of FY24 levels, leading to reporting loss.
- Change in stance of the Government of Telangana impacting funds infusion for timely servicing of debt obligations or delay in reimbursing the chargeable fares wrt Maha Lakshmi Scheme leading to stressed liquidity situation.
- Policy changes resulting in additional costs of operations and putting more strain on profitability levels.

**Analytical approach:** Standalone, factoring support from GoTS.

### Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes TGSRTC will continue to benefit from support extended by GoTS considering socio-economic importance of the corporation.

### Detailed description of key rating drivers:

#### Key weaknesses

##### Volatility in cost of sales and limited control of pricing structure

Cost of sales for the entity is very high at ₹6,493 crore (97% of TOI) in FY24 against ₹6,381 crore (108% of TOI) in FY23. Employee cost has been major burden at ₹3,105 crore in FY24 (46% of the TOI in FY24). Power and Fuel contributed to 23% to the cost of sales in FY24 (PY: 24%). However, there exists fluctuation of fuel prices considering regulatory norms & foreign exchange fluctuation for crude oil imported in economy and revision in employee payments & benefits. The same is subject to stay volatile considering nature of the commodity and market demand-supply scenario. Further, TGSRTC has limited control over the pricing structure of fares as the services provided by them are fixed by the GoTS. However, to combat the high diesel prices, TGSRTC has increased its fares for certain services in FY23.

##### Weak capital structure with high reliance on GoTS support leading to weak liquidity position:

TGSRTC has a weak capital structure marked by net worth turning negative in FY21 due to continuous operational losses despite the corporation reporting profits in FY24 and H1FY25. The company's liquidity position is weak despite improvement in FY24 marked by the current ratio of 0.55x as on March 31, 2024, and gross cash accruals of ₹238 crore in FY24, as the corporation is not generating sufficient cash accruals and therefore has raised new debt to fund its capex requirements. However, the

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

corporation benefits from continuous support from the GoTS, which is providing funds to meet capex requirements and partial debt obligations which are not met through cash accruals. The table below shows the support from the Government as on March 31, 2024:

Particulars	Till FY23 (₹crore)	Till FY24 (₹crore)
Capital infusion by Government	1,190.39	1,190.39
Loans from Govt.	1,514.64	2,347.14
Grants from Scheme (JNNURM)	54.36	54.36
<b>Total</b>	<b>2,759.39</b>	<b>3,591.89</b>

### **Competition from private players in intrastate & interstate passenger bus transportation and logistics services**

TGSRTC faces competition from private players in the intrastate and interstate segment. With high pricing power and time taken to reach destination, services by private players can attract the passengers at competitive prices against fares charged by TGSRTC, which are majorly fixed in nature, although fares were increased marginally in FY23 for certain services. The recently launched logistics arm is in growing stage to take on other players to provide services in southern and central part of India.

### **Key strengths**

#### **Continuous improvement in TOI and reporting profit at net level in FY24 and H1FY25 after reporting net losses since FY18**

TGSRTC has reported an increase of 14% in TOI to ₹6,708 crore in FY24 from ₹5,881 crore in FY23 considering new initiatives introduced such as Maha Lakshmi Scheme. Profit before interest, lease rentals, depreciation, and taxation (PBILDT) improved significantly with PBILDT loss of ~₹500 crore in FY23 to PBILDT gain of ₹215 crore in FY24, due to improved fixed cost absorption. Despite increasing from ₹2,909 crore in FY23 to ₹3,105 crore in FY24, employee costs as a percentage of sales has come down from 49% in FY23 to 46% in FY24. In FY24, TGSRTC reported profit of ₹108.25 crore at net level against net loss of ₹672.40 crore. For H1FY25, TGSRTC reported further improvement in operations with TOI ~₹4,028 crore and profit after tax (PAT) ~₹336 crore.

#### **Improvement in occupancy ratio post implementation of Maha Lakshmi Scheme**

GoTS vide government order (G.O.) No. 47 launched "Maha Lakshmi Scheme" on December 09, 2023 - free travel for girls and women of all age groups and transgender persons in the state-run ordinary and express buses (rural and urban) of TGSRTC within Telangana. In the G.O, point no. iv in para no.1, the GoTS has clearly mentioned that "The Government of Telangana shall reimburse the expenditure to TGSRTC towards chargeable fares which would have been collected on the basis of actual distance travelled by women passengers".

The occupancy ratio of TGSRTC has improved from 67.01% in FY23 to 75.89% in FY24 which has further improved significantly to 93.74% in H1FY25 and the reason for improvement can be attributed to introduction of this scheme. Going forward, occupancy ratio is expected to continue to remain high due to increased commutation of women passengers to avail this benefit.

GoTS has been reimbursing TGSRTC for tickets raised against Maha Lakshmi scheme despite with slight delay. In FY24, from December 09, 2023 to March 31, 2024, the sale of Maha Lakshmi Tickets was ~₹1,163 crores. GoTS have released an amount of ₹637.50 crore towards reimbursement of concessions and ₹407.50 crore towards loans to TGSRTC as financial assistance totalling to an amount of ₹1,045 crore against budget provision in the above period.

In H1FY25, the sale of Maha Lakshmi Tickets was ~₹1,996 crore and against this, GoTS released an amount of ₹1,481 crore towards reimbursement of Maha Lakshmi Expenditure.

#### **Well-established track record and strong fleet base**

TGSRTC with track record of over six decades (considering APSRTC experience - as TGSRTC was formed post bifurcation of state) has created significant position in the Indian transportation sector. As on September 30, 2024, TGSRTC had a fleet strength of 9,266 buses of which 6,502 are government owned & remaining 2,764 are hired on rental, operating on over 3,328 routes & connecting over 11,100 villages. TGSRTC has 97 bus depots and 364 bus stations in 11 regions. The entity is also planning to introduce ~1,000 electric vehicles in a phased manner. TGSRTC is also carrying out modernisation of bus stations covering the aesthetic aspects as well.

#### **Diversification of revenue through well-equipped and developed logistics service and other avenues**

TGSRTC is taking cautious efforts to improve its services and is continuously investing in new technology. With effect from August 2023, TGSRTC launched the "TGSRTC Gamyam" bus tracking app to make bus travel easier and safer. In FY21, TGSRTC introduced parcel and cargo services. Earlier, cargo and parcel services were operated through private agencies. However, now

TGSRTC is doing freight management under its brand. To provide better services, TGSRTC is continuously investing and has an automated & computerised system, through which, the sender and receiver of goods will be able to track the parcel/courier via SMS and e-mail with a tracking link. These new initiatives have also resulted in increased customer satisfaction.

#### **Geographical presence and socio-economic importance of corporation**

TGSRTC has its own buses, and a portion of buses are operated on rental basis to provide the services. Due to its economical fares and accessibility across routes, TGSRTC continues to operate efficiently. TGSRTC provides services across Andhra Pradesh, Maharashtra, Karnataka, Tamil Nadu and Chhattisgarh.

#### **Liquidity: Stretched**

The corporation's liquidity remains stretched despite reporting positive cash accruals in FY24, after reporting negative cash accruals in the previous six years. GoTS has been supporting the corporation with infusion of funds to the tune of ₹3,592 crore in the last eight FYs ending FY24. With positive cash accruals reported in FY24 and H1FY25 and further improvement in expected cash accruals going forward, TGSRTC is expected to meet its debt obligations partially from cash accruals and balance with the help of funds infusion from the GoTS.

#### **Assumptions/Covenants: Not applicable**

#### **Environment, social, and governance (ESG) risks: Not applicable**

#### **Applicable criteria**

[Definition of Default](#)

[Factoring Linkages Government Support](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

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#### **About the company and industry**

##### **Industry classification**

Macroeconomic indicator	Sector	Industry	Basic industry
Services	Services	Transport services	Road transport

TGSRTC (earlier TSRTC) is headquartered in Hyderabad, Telangana and is engaged in providing transport and logistics services in the southern and central horizon of India. Consequent to the state bifurcation of Andhra Pradesh into Telangana and Andhra Pradesh, two separate administrative units of road transport corporation (RTC) in Andhra Pradesh and Telangana started functioning on June 03, 2015. The Government of Telangana subsequently established TGSRTC, on April 27, 2016, under the Road Transport Corporation Act, 1950.

After bifurcation, TGSRTC currently operates buses from 97 depots to destinations of Telangana and to Andhra Pradesh, Maharashtra, Karnataka, Tamil Nadu and Chhattisgarh. As on September 30, 2024, TGSRTC had a fleet strength of 9,266 buses of which 6,502 are government owned and remaining 2,764 are hired on rental, operating on over 3,328 routes and connecting over 11,100 villages. TGSRTC has 97 bus depots and 364 bus stations in 11 regions. In May 2024, Govt. of Telangana decided to change the name from TSRTC to TGSRTC to avoid confusion with Tamil Nadu State Express Transport Corporation.

Brief Financials (₹ crore)	March 31, 2023 (P)	March 31, 2024 (P)	H1FY25 (P)
Total operating income	5,881.40	6,708.10	4,027.85
PBILDT	-499.74	214.97	395.75
PAT	-672.40	108.25	336.15
Overall gearing (times)	NM	NM	NM
Interest coverage (times)	NM	0.78	2.53

P: Provisional, NM: Not meaningful; Note: these are latest available financial results

#### **Status of non-cooperation with previous CRA: Not applicable**

**Any other information:** Not applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated:** Annexure-4

**Lender details:** Annexure-5

**Annexure-1: Details of instruments/facilities**

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Bank Overdraft	-	-	-	-	200.00	CARE BB+; Stable
Fund-based - LT-Term Loan	-	-	-	31/03/2027	3284.23	CARE BB+; Stable

**Annexure-2: Rating history for last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	-	-	-	-	-	1)Withdrawn (29-Sep-21)
2	Fund-based - LT-Term Loan	LT	-	-	-	-	-	1)CARE BB+ (CE); Stable; ISSUER NOT COOPERATING* (25-Jan-22) 2)Withdrawn (25-Jan-22) 3)CARE BB+ (CE); Stable; ISSUER NOT COOPERATING* (29-Sep-21)
3	Un Supported Rating-Un Supported Rating (Long Term)	LT	-	-	-	-	-	1)CARE D; ISSUER NOT COOPERATING* (25-Jan-22) 2)Withdrawn (25-Jan-22) 3)CARE D; ISSUER NOT COOPERATING* (29-Sep-21)
4	Fund-based - LT-Term Loan	LT	3284.23	CARE BB+; Stable	-	1)CARE BB; Stable (29-Sep-23)	1)CARE BB-; Stable (16-Mar-23) 2)CARE BB-; Stable (21-Dec-22)	-
5	Fund-based - LT-Bank Overdraft	LT	200.00	CARE BB+; Stable	-	1)CARE BB; Stable (29-Sep-23)	1)CARE BB-; Stable (16-Mar-23)	-

\*Issuer did not cooperate; based on best available information.

LT: Long term

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities:** Not applicable

**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Bank Overdraft	Simple
2	Fund-based - LT-Term Loan	Simple

**Annexure-5: Lender details**

To view lender-wise details of bank facilities please [click here](#)

**Note on complexity levels of rated instruments:** CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for clarifications.

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